



U.S. TRADE IN PERSPECTIVE

U.S. Department of Commerce, International Trade Administration, Trade Development

July 2000



May's U.S. Trade Deficit Sets Record, as Exports Decline More than Imports

Recent Developments: In May, U.S. exports of goods and services declined \$0.8 billion to \$85.7 billion, while imports fell \$0.3 billion to \$116.8 billion. The U.S. trade deficit was a record \$31.0 billion in May, \$0.5 billion larger than April's revised data.

Trade Performance: Year-to-date, exports were up 10.7 percent, while imports were up 20.2 percent from a year earlier.

In the first five months of 2000, the goods and services deficit was \$355 billion (annual rate), compared with \$223 billion (annual rate) in the same period in 1999.

In May, U.S. imports of goods were down \$0.3 billion to \$99.1 billion—the second consecutive monthly decline. This drop was primarily due to a substantial decline in motor vehicle imports.

Merchandise exports declined to \$62.0 billion in May, and the decline was spread across most sectors. As a result of higher crude oil prices, the SITC-based petroleum and products deficit was \$97.8 billion (annual rate) in the first five months of 2000, compared with \$42.4 billion a year earlier.

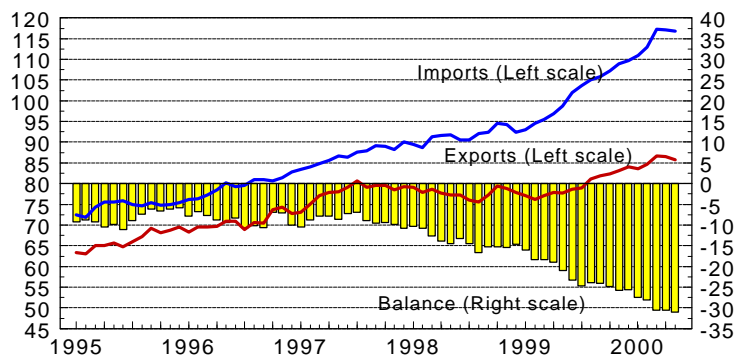
The U.S. trade deficit has continued to widen because the American economy still remains stronger than its trading partners, the nominal and trade-weighted values of the U.S. dollar have continued their upward ascent, and crude oil prices have climbed. The U.S. trade imbalance reached a record 3.6 percent of gross domestic product (GDP) in the first quarter of 2000.

Several new trade records were set in May:

- # The trade deficit with North America (\$6.4 billion) and OPEC (\$4.1 billion) were records.
- # Monthly imports from the NICs (\$9.0 billion) set a record.
- # Monthly imports of capital goods (\$28.8 billion) and consumer goods (\$22.9 billion) were records.

U.S. INTERNATIONAL TRADE

(Billions of dollars)

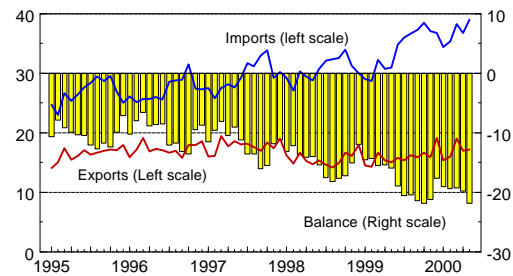


Spotlight on Asia's Currencies, Trade and Economies

Following the financial crisis in 1997, most of the economies in Asia either weakened or slipped into recession in 1998. Economic conditions began to improve in early 1999. According to the International Monetary Fund, economic growth in Asia rose to 6.0 percent in 1999.

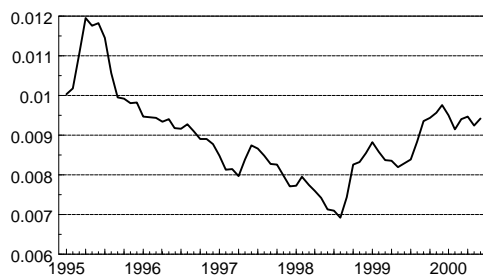
Year-to-date, U.S. exports to Asia were up 11.4 percent from a year ago, while imports from the region were up 21.3 percent. In the first five months of 2000, the U.S. merchandise trade deficit with Asia was \$238.4 billion (annual rate), or about 55 percent of the total U.S. merchandise trade deficit, compared to \$181.7 billion in the same period last year.

U.S. Merchandise Trade with Asia
(Billions of dollars)

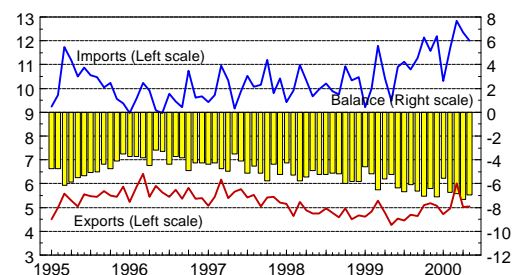


After sliding into recession in 1998, the **Japanese** economy barely expanded in 1999—just 0.3 percent. Japan's real GDP jumped 9.6 percent (annualized rate) in first quarter 2000 compared with fourth quarter 1999. There have been some improvements in production, corporate spending, and profits in recent months. Japan's budget deficit has now grown to 10 percent of its

Japanese Yen
(U.S. Dollar per Yen, Nominal)



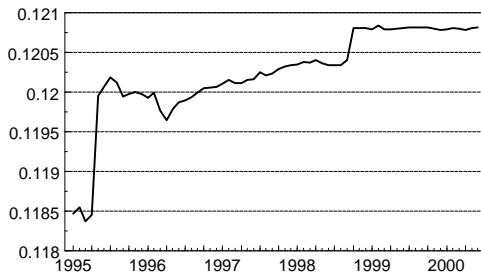
U.S. Trade with Japan
(Billions of dollars)



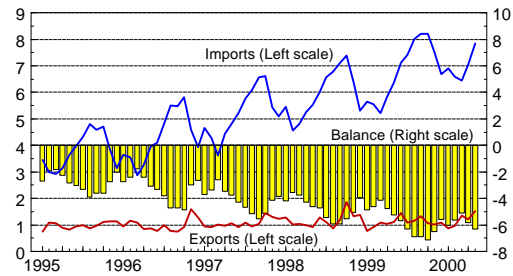
GDP. Its overall debt has reached about 125 percent of the nation's annual economic output, as the government has poured in over \$1 trillion to stimulate the economy since 1990. The credit-rating agency, Fitch IBCA, has twice downgraded the government's long-term debt rating, reflecting concerns over public finances and the economy. The yen has risen by about one-third of its value against the U.S. dollar (in nominal terms) from its lows in August 1998. U.S. exports to Japan are up 8.2 percent year-to-date, while imports are up 16.3 percent from a year ago. The U.S. trade deficit reached \$80.2 billion (annual rate) compared with \$65.0 billion during this period last year. In its trade with the world Japan enjoys a surplus equivalent to 3 percent of its GDP.

Following seven years of slowing growth, **China's** real GDP rose 8 percent (annualized rate) in the first half of 2000. This expansion has been fueled by higher government spending, increased

Chinese Yuan
(U.S. Dollar per Yuan, Nominal)



U.S. Trade with China
(Billions of dollars)



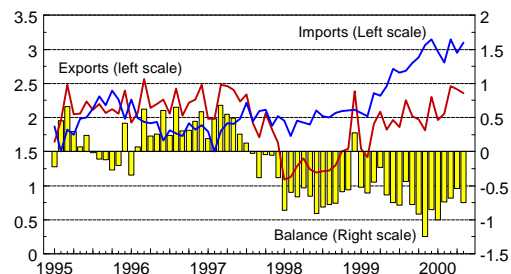
private consumption and robust exports. The yuan remains pegged to the U.S. dollar, whose nominal exchange rate has remained fairly constant since late 1998. Year-to-date, U.S. exports to China are up 20.6 percent from a year ago, while U.S. imports are up 21.8 percent. The U.S. trade deficit with China was \$69.4 billion (annual rate) compared with \$56.8 billion a year ago. Due to the continued buildup in its trade surpluses with the world and capital inflows from foreign investors, China's foreign reserves rose to \$158.6 billion in June 2000.

From its sharp contraction in 1998, the **South Korean** economy recovered at a 10.7 percent rate last year. The nation's real GDP grew 12.8 percent in the first quarter of 2000 from a year earlier. The nominal value of the won has rebounded about one-half against the U.S. dollar from its

Korean Won
(U. S. Dollar per Won, Nominal)



U.S. Trade with Korea
(Billions of dollars)



trough in January 1998. Between January and May 2000, U.S. exports to South Korea rose 28.3 percent, and imports are up 33.3 percent from a year ago. Year-to-date, the U.S. trade deficit was \$5.9 billion (annual rate) compared with \$8.9 billion during the same period a year ago.

Largely as a result of an earthquake, economic growth in **Taiwan** fell to 5.3 percent in 1999. Its currency has recouped about a tenth of its value against the U.S. dollar (in nominal terms) from its lows in late 1998. Year-to-date, U.S. exports to Taiwan are up 28.0 percent, while imports are up 15.3 percent from the same period a year ago. In the first five months of 2000, the U.S. trade deficit remained unchanged at \$15.2 billion (annual rate), compared to the same period last year. Because of its accumulated trade surpluses with the world, foreign reserves rose to a record \$113.8 billion in June 2000.